

Classification	Decision Type
Part A/ Open	Key Decision

Report to:	Cabinet	Date: 9 March 2022
Subject:	East Lancashire Paper Mill Site Update (Part A)	
Report of:	Cabinet Member for Finance and Growth and Cabinet Member for Housing Services	

SUMMARY

The East Lancashire Paper Mill (ELPM) site is the single largest vacant brownfield site for new housing in Bury District. The Council has been working in partnership with Homes England since 2016, as joint owners to de-risk the site and pursue a delivery strategy to bring the site forward for redevelopment for housing, together with open space and replacement cricket facilities.

The delivery strategy has included the procurement of a development partner for the whole site as a single lot through Homes England’s Delivery Partner Panel and entering into a Collaboration Agreement with Homes England (based on a set of Heads of Terms) as approved at Cabinet on 26th May 2021.

This report provides an update to the May 2021 Cabinet Paper ‘East Lancashire Paper Site’ and sets out the progress made, including the procurement and selection of a preferred development partner for comprehensive delivery of the ELPM site.

Confidential information in relation to the procurement process and named bidders for the selected developer and underbidder is set out in Part B (exempt report).

This report complements the East Lancashire Paper Mill Update Part B paper.

Recommendation(s)

That Cabinet:

1. Note the collaborative approach with Homes England that has been pursued, including the entering into of a legally binding Collaboration Agreement with Homes England to comprehensively deliver the ELPM site for housing, open space and replacement cricket facilities.
2. Agree to the appointment of a preferred developer and under bidder developer as set out in the part B report
3. Agree to the financial payment arrangement for the capital receipt, based on the terms set out in the Part B report

Reasons for the decision:

- To ensure that Cabinet are kept fully informed on progress regarding the delivery of the East Lancashire Paper Mill site working in collaboration with Homes England.
- To report on the outcome of the developer procurement process, which has resulted in approval of a preferred development partner for the site, which will enable the delivery of much needed new homes and ensure the site is comprehensively developed to high design and sustainability standards.
- To secure a capital receipt payment arrangement which offers the Council the most attractive financial proposition.
- To facilitate the Council's Brownfield first approach to housing delivery.

Other options considered and rejected:

The other option considered and rejected is set out in the Part B report.

KEY CONSIDERATIONS

1. Background

- 1.1 The derelict East Lancashire Paper Mill site is the largest brownfield housing site in the district and sits is a significant opportunity within the Radcliffe regeneration programme. The site extends to 21.08ha (as confirmed by an updated site survey) and represents one of the most exciting housing development opportunities on a brownfield site to come forward in the borough and the City Region. It offers the opportunity to build up to 400 new homes, together with new open space and replacement cricket facilities.
- 1.2 The site is part owned by Homes England (65%) and part owned by the Council (35%). The Council's ownership comprises two parcels of land, one off Rectory Lane and one at Tower Farm.
- 1.3 The site has a number of complexities which are intrinsically linked across the two ownerships. In light of this, it has previously been recognised that the comprehensive redevelopment of the site as a whole to achieve its full potential is the way forward. The site has been master planned in its entirety and has outline planning consent secured through joint working with Homes England.
- 1.4 On 26th May 2021 Cabinet approved the following steps as a way forward for securing the delivery of the site:
 - That the Council enters into a formal Collaboration Agreement (based on Heads of Terms set out in Appendix A in Part B of the Cabinet report) with Homes England and delegates the finalisation of the Agreement and any further approvals to the Chief Executive, Section 151 and Monitoring Officer.
 - That the Cabinet agrees the delivery strategy as set out within the Collaboration Agreement and outlined in section 4.2 of the Cabinet report, including transfer of the Councils land comprising two sites at Rectory Lane

and Tower Farm to Homes England and the procurement of a development partner through Homes England's Delivery Partner Panel.

2. Progress Update

2.1 The Council and Homes England have continued to work jointly to put in place the building blocks to secure the site's redevelopment. A joint Project Team was established and over the last year officers have continued to work collaboratively to de-risk the site and progress the planning and delivery strategy for the project.

2.2 Significant progress has been made on three key aspects:

Collaboration Agreement

2.3 Following Cabinet approval in May last year, a formal collaborative approach with Homes England to bring forward the comprehensive re-development of the site through the procurement of a developer partner has been pursued.

2.4 This has taken the form of a legal binding Collaboration Agreement between the Council and Homes England which was entered into in January 2022. It was based on the Heads of Terms presented to Cabinet in May 2021, with finalisation of the details and all other approvals agreed under officer delegation powers to the Chief Executive, Section 151 and Monitoring Officers. The Council's appointed specialist legal adviser, Shoosmiths, advised on the legal aspects.

2.5 The finalised Agreement details the key principles of the collaboration. These comprise:

- Definition of the shared objectives of the Project
- Documents the governance structure; roles and responsibilities of the parties, with Homes England co-ordinating the developer procurement process.
- Establishes the basis on which capital receipts and costs (including the Estate Management Dowry) will be shared between the two parties. This is based on an Equalisation Rate which correlates to the ratio of land ownership of the two parties across the site. Based on an updated site survey, this was finalised and agreed as 35% Bury Council; 65% Homes England.
- Defines how the Project will be delivered and the legal structure for the disposal of the land.

Procurement and Selection of a Developer Partner

2.6 In accordance with the May 2021 Cabinet resolution, the site was jointly marketed by the Council/ Homes England, and the developer procurement process undertaken via Homes England's Delivery Partner Panel (an OJEU-compliant procedure) commenced. The Panel (DDP3) comprised thirty-three major house builders. This procurement route was considered to represent the most efficient and timely means to openly market the site, attract interest from major housebuilders and secure best value to achieve the comprehensive redevelopment of the site for housing.

2.7 The site was marketed for sale as a single lot, based on Agreement for Lease and Building Lease documentation and followed a 3-stage marketing process:

- I. Expression of interest (EOI)
 - II. Sifting brief stage
 - III. Invitation to tender (ITT)
- 2.8 In accordance with the Collaboration Agreement, both the Sifting Brief and ITT responses have been jointly evaluated by Homes England and Bury Council, supported by our jointly appointed commercial advisors, Jones Lang LaSalle.
- 2.9 Evaluation of responses in accordance with the ITT has resulted in the selection of a preferred developer and underbidder. The selected 'preferred developer' and 'underbidder' are named in the Part B report.

De-risking work/ Planning Strategy work

- 2.11 To date and in accordance with the Collaboration Agreement, the Council and Homes England have continued to work jointly to de-risk the site to make it a more attractive proposition for the prospective developer to deliver this major housing scheme. This has included a number of Section 73 planning applications and a number of pieces of technical consultancy work.

3. Going Forward

- 3.1 Accelerating the delivery of this key brownfield site for new homes is a key priority for the Council as part of its regeneration programme for Radcliffe, the Radcliffe Strategic Regeneration Framework and the Borough's 'Let's Do It' strategy. As part of its business planning, the delivery of this site is time critical for Homes England and on that basis, the preferred developer is required to enter into a conditional contract with Homes England and the Council by 31st March 2022. At the point, the conditions of the contract are satisfied, the Council's freehold land interest in the site will be transferred to Homes England. Specialist legal advisers, Browne Jacobson have been appointed to jointly act for the Council/ Homes England in respect of the legal transaction with the developer.
- 3.2 Under the terms of the Collaboration Agreement, joint working on strategic matters and appointment of the estate management company etc will continue to facilitate the delivery of the key project. However, Homes England will lead on the day-to day project management decisions giving the developer a single point of contact.
- 3.3 There are also various pieces of preliminary work (relating to estate / open space management and the cricket club relocation arrangements) that are being undertaken by Homes England/ the Council to support the development and these are expected to be concluded within the next 12 months.
- 3.4 The Council has continued responsibility to manage its land within the ELPM site until the two parcels of land are disposed of. As part of our estate management there is a current and ongoing invasive plant species management programme being carried out.

3.5 Going forward the key provisional timescales for the delivery of the housing project are:

- Formally appoint preferred developer – March 2022
- Enter into conditional contract with preferred developer – by 31 March 2022
- Reserved Matters planning application process – Autumn / Winter 2022
- Building Lease draw down – Early 2023
- Start on site – Early 2023
- House building starts - Summer 2023

4. Financial Considerations

Land Payment/Capital receipt

- 4.1 The ELPM site was marketed as a whole and as part of the ITT tendering process, financial offers for the site were submitted by the developers and evaluated in accordance with the ITT. The financial offer generates a capital receipt for the Council and Homes England.
- 4.2 Consideration has been given to the financial payment options and this is set out in Part B of the report.
- 4.3 There is also provision for overage under the terms of the Building Lease, which the developer will be required to pay and in accordance with the Collaboration Agreement, the overage money will be distributed between Homes England and the Council based on the agreed Equalisation Rate.

Estate Management Dowry

- 4.4 The ITT sets out the intention of the landowners to put a fully funded management company in place to manage and maintain unadoptable blue and green infrastructure into perpetuity.
- 4.5 A suitable Management Company has been identified and the Council will continue to work collaboratively with Homes England, the management company and the developer to put appropriate arrangements in place.

5. CONCLUSION

- 5.1 The progress made in selecting a preferred 'Development Partner' under a collaborative approach with Homes England represents a significant step forward in the delivery of new homes on the ELPM site – the single largest brownfield site for housing in the Borough. Its delivery will make a substantial contribution to the regeneration of Radcliffe, providing much needed new homes and will ensure this long-standing derelict site is comprehensively developed to high design and sustainable standards. It also fully accords with the Council's brownfield first policy on all housing development across the borough and supports the Borough's Let's Do It strategy.

Links with the Corporate Priorities:

The delivery of the ELPM site contributes towards meeting the Council's priorities across a range of policy areas including increasing the supply of housing to meet housing needs. It addresses a derelict brownfield site, provides for the delivery of a diverse housing development as well as open space and replacement cricket facilities and provides an opportunity to create successful and inclusive neighbourhoods in conjunction with the Bury 2030 Let's do it Strategy.

Equality Impact and considerations:

This proposal does not adversely affect equality.

This delivery of this new development by the selected developer will promote equality of access to housing and address local housing need.

Environmental Impact and Considerations:

The new homes are expected to be built to Future Homes Standard, in line with updated building regulations and include installation of energy efficiency measures to reduce fuel bills and cut carbon emissions.

Assessment of Risk:

The following risks apply to the decision:

Risk / opportunity	Mitigation
Opportunity Delivery of much needed housing on the largest brownfield site in the district	Selection of the preferred developer and entering into a conditional contract with the preferred developer by 31 March 2022, will enable the site to be accelerated for development.
Risk Development and construction costs increase.	As part of the contractual arrangements, the developer takes all the risk on cost.
Risk The security of the capital receipt based on the financial payment terms.	As per the Part B report

<p>Risk Downturn in marketplace slows the delivery of homes and the building lease is forfeited.</p>	<p>If delivery of the development on site stalls, Homes England have contingency measures in place to ensure delivery.</p> <p>If the Building Lease is forfeited, as part of the Collaboration Agreement with Homes England, control mechanisms are in place which include remarketing the site and agreeing a solution that could include the Council taking back the land.</p>
---	--

Legal Implications:

The legal structure for the transaction is lawful and is one which is frequently used.

In accordance with section 123 Local Government Act 1972 provision on disposals, namely that disposals (other than short tenancies) must be for the consideration that is the best that can be reasonably obtained in the market.

Financial Implications:

This is an opportunity for the Council to progress the development of a Brownfield site which will lead to a significant housing development in line with the Councils Housing Strategy. This development will generate a capital receipt for the Council. It is recognised that the total area of the land to be developed is currently owned by Homes England 65% and Bury Council 35% therefore the receipt will be received on this basis.

A residential development of this size will also bring sizeable future council tax receipts, although the extent and timing of which cannot yet be quantified and is dependent upon a number of factors including mix and type of accommodation

New Homes Bonus payments may also be payable subject to district wide performance and in compliance with Government policy at the time.

Report Author and Contact Details:

Name: Julie Palmer

Position: Housing Growth and Development Manager

Department: BGI

E-mail: j.palmer@bury.gov.uk

Background papers:

ELPM site – Report to Cabinet 26 May 2021

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
ELPM	East Lancashire Paper Mill
Homes England's DDP	Homes England's Delivery Partner Panel
EOI	Expression of interest
ITT	Invitation to Tender